

1-1-1981

Washington report, vol. 9 no.48, January 26, 1981

American Institute of Certified Public Accountants.

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Recommended Citation

American Institute of Certified Public Accountants., "Washington report, vol. 9 no.48, January 26, 1981" (1981). *Newsletters*. 834.
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AICPA *Washington Report*

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HEALTH AND HUMAN SERVICES, DEPARTMENT OF

A voluntary program of certification of Medicare supplemental health insurance policies (so called Medigap policies) by the HHS Secretary, has been proposed by the Health Care Financing Administration (see the 1/21/81 Fed. Reg., pp. 6296-6307). The program would be scheduled to go into effect 7/1/82 and would review on a voluntary basis policies submitted by insurers in those states that do not have in effect a program for regulating Medigap policies equal to or more stringent than the proposed program. A Supplemental Health Insurance Panel consisting of the HHS Secretary or a designee and four state Commissioners or Superintendents of Insurance appointed by the President, will determine the adequacy of a state's program. The proposal includes standards for policies submitted to HCFA for certification, procedures for certification and statutory requirements that would be used to review state programs. Comments are requested by 3/23/81. For additional information contact Thomas Hoyer at 301/594-9690.

Sections of the regulations on income under the Supplemental Security Income program are being revised according to a proposal by the Social Security Administration (see the 1/19/81 Fed. Reg., pp. 4949-50). The amendments include two changes in the definition of earned income because of the enactment of P.L. 96-222 and P.L. 96-265. The first one adds a new type of earned income for SSI purposes, refunds of Federal income taxes made under the earned income credits provisions of the IRC and advance payments of these credits made by employers under the Code. These payments are earned income as of 1/1/80. The second amendment designates as earned income all payments for services performed in a sheltered workshop or work activities center. Comments are requested by 3/20/81. For additional information contact Rita Hauth at 301/594-7112.

PENSION BENEFIT GUARANTY CORPORATION

A prescription for modifications to the statutory methods for allocating unfunded vested benefits has been issued as an interim rule by the PBGC (see the 1/19/81 Fed. Reg., pp. 4894-902). The changes will be used in determining the withdrawal liability of an employer that withdraws from a multiemployer pension plan covered by Title IV of ERISA. The interim regulation also establishes the procedure under which the plan sponsor of a multiemployer plan may submit an alternative allocation method to the PBGC for approval. Multiemployer plans that are not amended to adopt another allocation method must use the presumptive method. Until 10/1/83, a plan may adopt one of the other statutory allocation methods with or without any of the modifications prescribed in this rule, without PBGC approval. Additionally, a plan may adopt a non-statutory allocation method subject to approval by the PBGC. The interim regulation was effective as of 1/19/81. For additional information contact Ellen Hennessy at 202/254-4856.

SMALL BUSINESS ADMINISTRATION

An amendment to the Small Business Act. P.L. 96-302, which authorizes the SBA to delegate to certain lending institutions, with respect to deferred participation loans, the authority to determine eligibility, loan monitoring, collection and liquidation will be implemented by proposed regulations recently issued by the SBA (see the 1/19/81 Fed. Reg., pp. 4937-44). The proposed regulations cite the statutory authority for these delegations of authority and responsibility to certain "preferred" lenders; set forth the objectives of this new initiative; detail the limitations on these delegations; provide eligibility criteria for a lender seeking to attain this "preferred" status vis-a-vis SBA; and, detail the

respective roles of the "Preferred Lenders" and the SBA in terms of making decisions or taking actions with respect to loan eligibility, loan processing, loan closing, loan administration and loan liquidation. Comments are requested by 3/20/81. For additional information contact Danny Gibb at 202/653-6423.

TREASURY, DEPARTMENT OF

New IRS rules which clarify that no depreciation is allowed under the Class Life Asset Depreciation Range (CLADR) prior to the month in which a taxpayer begins engaging in a trade or business or holding depreciable property for the production of income, were issued recently (see the 1/22/81 Fed. Reg., pp. 6909-11). The new regulation, T.D. 7763, under tax code section 167, is effective for property placed in service after 11/14/79 other than depreciable property for which substantial expenditures were paid or incurred prior to 11/15/79. The IRS said this effective date is necessary to control abusive tax shelters. The rules also clarify the phrase "engaging in a trade or business" by providing that for purposes of applying CLADR conventions, employees are not considered engaged in a trade or business by virtue of employment. For additional information contact Benedetta Kissel at 202/566-3930.

Increased expenses businesses may claim for attendance at foreign conventions was one of the subjects of an IRS announcement 1/22/81, IR-81-10. The announcement was to remind taxpayers of the new law, P.L. 96-608, passed by Congress 12/13/80, which amends section 274(h) of the IRC and provides an "as reasonable" basis for meetings held both outside North America and within it. Under the "as reasonable" standard, the following factors are to be considered; purpose and activities of meeting, purpose and activities of sponsoring organization, residences of active members and places where other meetings have been or will be held. The law repeals the two convention rule, special per diem limit and coach fare limitations. Deductions for expenses incurred in attending conventions held on cruise ships are denied under the legislation.

SPECIAL: CONGRESS CONTINUES INQUIRIES INTO GOVERNMENT USE OF CONSULTANTS

Congressional inquiries into the use of consultants by the Federal Government have been continued by the 97th Congress, following the efforts begun last year by former Rep. Herb Harris (D-VA) and Sen. David Pryor (D-Ark). Supported by seven major General Accounting Office reports, Rep. Harris, Sen. Pryor and Sen. Max Baucus (D-MT) conducted a series of hearings which shifted from an examination of practices and policies to consideration of legislation. Early this year, Sen. Daniel Inouye (D-HI) introduced S. 106, the "Federal Reports Authorship Disclosure Act of 1981," a bill which seeks to publicize the actual role of consultants in the preparation of Government studies and reports. It is virtually identical to the bill Sen. Inouye introduced in the 96th Congress. Sen. James Sasser (D-TN) has also introduced S. 61, a bill which would, among other goals, "allocate reductions in the amounts obligated for experts and consultants...." No hearings have yet been scheduled for either bill.

In a related matter, President Reagan signed an executive order on 1/22/81 which cut obligations for consulting, management and special contract studies by five percent over the cutbacks already ordered by OMB and Congress last year.

SPECIAL: SEC CHAIRMAN WILLIAM'S SPEAKS ON ACCOUNTING PROFESSION

SEC Chairman Harold Williams outlined some future trends in auditing and accounting in a speech titled, "The Accounting Profession and the Challenges Ahead," given 1/21/81, before the San Diego Chapters of the National Association of Accountants and the California CPA Society. He warned the profession that while an anti-government attitude toward increased regulation exists presently, any future weakening in the public trust and confidence in the corporate sector could reverse that attitude and "that the next inevitable wave of corporate failures will trigger a reaction calling for greater governmental presence." In urging the profession to "implement a program of effective private sector regulation," he noted that accounting standard setting and the scope of the auditor's role were two current challenges facing the Profession. Among areas also discussed were the FASB and its role in development of a conceptual framework for financial reporting, inflation accounting, FCPA and the trend of "auditors providing more subjective input to financial reports." Chairman Williams also expressed the belief that the AICPA's SEC Practice Section "is the lynchpin of successful private-sector self-regulation and its birth was a major accomplishment." Copies of the speech are available from the Washington Report at 202/872-8190, ext. 47.

For additional information, please contact Jim Kovakas,
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